

VZCZCXRO1569
PP RUEHDE RUEHDH RUEHDIR
DE RUEHKU #0798/01 2250947
ZNR UUUUU ZZH
P 130947Z AUG 09
FM AMEMBASSY KUWAIT
TO RUEHC/SECSTATE WASHDC PRIORITY 3799
INFO RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE PRIORITY
RUEHIL/AMEMBASSY ISLAMABAD PRIORITY 1066
RUEHBUL/AMEMBASSY KABUL PRIORITY 0411
RHEHNSC/NSC WASHDC PRIORITY

UNCLAS SECTION 01 OF 02 KUWAIT 000798

SIPDIS

NEA/ARP, SCA/P, EEB/IFD/ODF

E.O. 12958: N/A

TAGS: [EAID](#) [ECON](#) [EFIN](#) [PREF](#) [PREL](#) [KU](#) [PK](#)

SUBJECT: KUWAIT FUND COMMITTED TO SUPPORTING PAKISTAN

REF: A. ISLAMABAD1662

[B](#). KUWAIT 639

[C](#). KUWAIT 555

[D](#). KUWAIT 539

[E](#). KUWAIT 735

[1](#). (SBU) Summary and key points. On August 12, Waleed Al Bahar, Regional Manager for Central Asian and European Country Affairs, Kuwait Fund for Arab Economic Development(KFAED) met with EconCouns to discuss funding to Pakistan.

- Al Bahar was unaware of allegations of any GoK withdrawal of support to Pakistan and reiterated Kuwait's commitment to Pakistan;
- KFAED remains committed to the \$50 million USD project for Pakistan earthquake relief and plans to sign the final loan agreement with the GoP in September;
- KFAED currently is appraising a hydroelectric loan for Pakistan (in partnership with other development agencies) and expects to move forward this year;
- KFAED has not received a response from Afghanistan regarding a proposal for Afghanistan to reschedule its outstanding loan under HIPC terms.

Earthquake Relief in Process

[2](#). (U) Al Bahar was surprised at suggestions that Kuwait might be withdrawing its \$49 million Tokyo pledge for Pakistan, stressing that he had heard nothing to suggest that from either Kuwaiti or Pakistani authorities (ref a). He confirmed that KFAED remains committed to its approximately \$50 million concessional loan for earthquake relief. He reiterated that KFAED had already approved GoP suggested contracts and only needed to sign the final loan document. Al Bahar confirmed that KFAED has made plans to send a team to Pakistan during Ramadan to sign the final agreement with the GoP. He stressed that the terms of the loan were highly concessional at one percent interest for a 26 year loan period, with 6 years grace. (Note: As reported ref b and previously, Kuwait's Tokyo pledge referred to this earthquake relief project. The dollar amount of the pledge has fluctuated with exchange rate changes. End note.)

Neelum Jhelum Hydroelectric Project

[3](#). (U) In addition to earthquake reconstruction project, Al Bahar reported that KFAED is moving forward on the

multi-sponsored \$2 billion USD Neelum Jhelum hydroelectric project and that a team arrived in Pakistan on August 9 to spend two weeks working on the project appraisal (ref b). He confirmed that KFAED estimates issuing a \$38 million USD loan at 2% interest to be paid over a 26-year term with a 6 year grace period for its share of the project.

Timing off for Afghanistan

¶4. (U) Econ Chief inquired if KFAED had received any correspondence from Afghanistan regarding a HIPC debt rescheduling, which would allow KFAED to resume assistance. Al Bahar stated that the GoA had not addressed the issue with KFAED and speculated that delays in a response might be due to upcoming elections (ref e).

Comment

¶5. (SBU) Post has found nothing to suggest that the GoK is backing away from its Tokyo pledge for Pakistan, especially since the pledge reflected already obligated money. In fact, it appears that the GoK plans to go beyond its \$49 million pledge with KFAED's participation in the Neelum Jhelum hydroelectric project. The disbursement of the Earthquake reconstruction loan was delayed due to KFAED concerns about the security situation in Pakistan. As noted ref b, there did appear to have been some confusion as to whether one or both of the loan projects would meet Kuwait's Tokyo pledge

KUWAIT 00000798 002 OF 002

and this may have translated into confusion in Pakistan. End
Comment.

For more reporting from Embassy Kuwait, visit:
visit Kuwait's Classified Website at:

<http://www.intelink.sgov.gov/wiki/Portal:Kuwa> it

WILLIAMS